

Teacher Lesson Plan

Theme 3: Fairness in Taxes
Lesson 5: How Taxes Affect Us

Time Frame

One to three class periods

Curriculum Area(s)

- Civics/Government
- Economics
- Technology

Purpose

To help students understand that taxes can have different effects on different income groups

Objectives

Students will be able to

- compare the effects of the following, using income as a measure of ability to pay: a progressive tax, a regressive tax, and a proportional tax.
- explain how a mixture of regressive and progressive taxes could combine to make our overall tax system roughly proportional.

Materials

Online

[Student Lesson—How Taxes Affect Us](#)

[Activity 1: Fairness and Taxes](#)

[Activity 2: Tax Freedom Days](#)

[Activity 3: Tax Your Memory](#)

[Assessment—How Taxes Affect Us](#)

[Assessment Solutions—How Taxes Affect Us](#)

Print (PDF)

[Info Sheet—Families Feel the Effect of Taxes](#)

[Worksheet—Comparing Regressive, Progressive, and Proportional Taxes](#)

[Worksheet Solutions—Comparing Regressive, Progressive, and Proportional Taxes](#)

[Assessment—How Taxes Affect Us](#)

[Assessment Solutions—How Taxes Affect Us](#)

[Complete Lesson Pack](#)

Web Links

[Tax Freedom Days](http://www.taxfoundation.org/taxfreedomday.html) <http://www.taxfoundation.org/taxfreedomday.html>

[IRS Tax Interactive](http://www.irs.gov/taxi) <http://www.irs.gov/taxi>

Background

The combination of federal, state, and local taxes creates a complex tax system in the United States. This mix of a **progressive** income tax and a **regressive** Social Security tax—combined with a variety of state and local income taxes, property taxes, excise taxes, and user fees—results in taxpayers paying roughly the same percentage of their incomes in taxes. While no single tax is **proportional**, the combination of different taxes creates a roughly proportional system. Applied to this system, **vertical equity** allows unequals to be taxed unequally.

Key Terms

progressive tax—A tax that takes a larger percentage of income from high-income groups than from low-income groups.

proportional tax—A tax that takes the same percentage of income from all income groups.

regressive tax—A tax that takes a larger percentage of income from low-income groups than from high-income groups.

vertical equity—The concept that people in different income groups should pay different rates of taxes or different percentages of their incomes as taxes. “Unequals should be taxed unequally.”

Opening the Lesson

Write on the board “Unequals should be taxed unequally.” Ask students whether they agree with this concept. Discuss the concept of vertical equity, the idea that people in different income groups should pay different rates of taxes. Review how people have tried to achieve fairness in taxes. Draw a vertical line on the board. At the top of the line write “high income,” in the middle of the line write “middle income,” and at the bottom write “low income.” This lesson will explain how different taxes achieve fairness in spite of income level.

Developing the Lesson

Distribute Info Sheet—Families Feel the Effect of Taxes. Review definitions of proportional taxes, regressive taxes, and progressive taxes. Have students compare how each family—the A’s, the B’s, and the C’s—is affected by each system.

- Ask students in which two systems Family B pay the same amount of tax.
proportional and progressive
- In which two systems does Family A pay the same amount of tax?
proportional and regressive
- Ask students which system they think is fairest to all families.
Answers will vary

Online Activities

Direct students to Student Lesson—How Taxes Affect Us.

Print Activity

Print Worksheet—Comparing Regressive, Progressive, and Proportional Taxes, and distribute it to students.

Worksheet Solutions—Comparing Regressive, Progressive, and Proportional Taxes

Classroom Activity

Organize the class into small groups with three to five members each. One group is “low income,” and each member has an income of \$20,000. One group is “high income,” and each member has an income of \$100,000. The remaining groups are “middle income,” with incomes of \$60,000 per member.

Write on the board the total number of students at each income level, and have students copy the figures. For example:

- Low income: 5 (*one group*)
- Middle income: 15 (*three groups*)
- High income: 4 (*one group*)

Students will devise a class tax system to generate a total of \$250,000 in revenue. Each group’s tax system should generate the needed revenue and provide the greatest possible fairness to all taxpayers.

Each student group will be asked to present its tax system. They may use charts or draw on the board and should explain which parts of their system are progressive, regressive, or proportional.

Assessment is based on students’ awareness of the effect of different taxes on taxpayers of different income levels.

A completely fair system is nearly impossible to create. Student effort and evidence of awareness of the difficult issues is more important than actual results.

Concluding the Lesson

Review with students that the combination of taxes used in the United States results in taxpayers over a wide range of income levels paying roughly the same percentage of their incomes in taxes.

Online Assessment

Direct students to complete [Assessment—How Taxes Affect Us](#) for this lesson.
[Assessment Solutions—How Taxes Affect Us](#)

Print Assessment

Print [Assessment—How Taxes Affect Us](#) and have students complete it on paper.
[Assessment Solutions—How Taxes Affect Us](#)

Links

For more information about fairness in taxes, have students visit [IRS Tax Interactive](#) <http://www.irs.gov/taxi>, and click on What Is Fair? Go to [Theme 4, Lesson 3](#) to learn more about vertical equity.